

TARIFF ACTION MEMORANDUM

Date: December 28, 2022

Date Filed: November 30, 2022

Statutory End Date: December 30, 2022

File No.: TL10-752

Name of Utility: Swanson River Oil Pipeline, LLC

Subject: Annual Transportation Rate Revision

Recommendation

Staff recommends the Commission:

1. Approve Tariff Sheet No. 13, filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Signed: Brenda Cox Title: Utility Financial Analyst
Brenda Cox

Commission decision re this recommendation:

	<u>Date (If different from 12/28/22)</u>	<u>I Concur</u>	<u>I do not Concur</u>	<u>I will write a Dissenting Statement*</u>
Kurber		<u>KKT</u>		
Doyle		<u>RMF</u> BP for RAD		
Pickett		<u>RMF</u> BP		
Sullivan		<u>DS</u>		
Wilson		<u>JWW</u> JWW		

*If this column is initialed, Staff will contact the Commissioner for the statement. Otherwise, the dissent will simply be noted at the close of the By Direction letter or order.

MEMORANDUM

To: Keith Kurber II, Chairman
Robert A. Doyle
Robert M. Pickett
Daniel A. Sullivan
Janis W. Wilson

Date: December 28, 2022

From: Brenda Cox, Utility Financial Analyst

Subject: Annual Transportation Rate Revision

Recommendations

1. Approve Tariff Sheet No. 13, filed on November 30, 2022, with an effective date of January 1, 2023. A side-by-side copy is attached as Schedule BKC-1.

Background

The Swanson River Oil Pipeline (SROP)¹ is an eight-inch diameter crude oil pipeline, approximately 18.83 miles in length, that provides transportation of crude oil produced from the Swanson River Field to the piping and terminal facilities of Kenai Pipeline Line Company's Nikiski Marine Terminal.²

In Order P-15-020(5) the Commission accepted, in part, a stipulation filed on October 17, 2016, by SROP and the Office of the Attorney General, Regulatory Affairs and Public Advocacy Section (RAPA). Order P-15-020(5) allowed a temporary rate of \$0.42 per barrel to go into effect November 1, 2016.³ RAPA and SROP entered into a settlement agreement dated November 29, 2016, which established the Swanson River Oil Pipeline Methodology (SROP Methodology) for calculating annual maximum rates on SROP's

¹ The Commission approved the transfer of ownership of the pipeline from Hilcorp Alaska to Swanson River Oil Pipeline, LLC. See Order P-15-011(3), *Order Granting Joint Application, Accepting Corporate Guaranty, Addressing Previously Filed Guaranty, and Requiring Filings*, dated November 25, 2015. SROP is owned by Harvest Alaska, a subsidiary of Hilcorp Alaska.

² See Tariff Agreement by and between SROP and RAPA, filed November 29, 2016.

³ Order P-15-020(5), *Order Accepting Stipulation, In Part; Allowing Collection of Temporary and Refundable Rate; and Requiring Filing*, dated October 27, 2016.

pipeline. The Commission accepted the 2016 Settlement Agreement which made the \$0.42 per barrel rate permanent.⁴

The Settlement Agreement specifies that SROP is required to file by December 1 of each year a transportation rate for the following calendar year. The rate may be no higher than the maximum rate.⁵ SROP is required to provide all supporting information used to calculate the maximum rates to RAPA 60 days before filing its transportation rate on December 1 of each year.⁶

On December 1, 2020, SROP filed TL7-752, proposing to decrease the rate from \$5.95 per barrel (bbl) to \$5.54/bbl effective January 1, 2021. On December 24, 2020, the Commission approved Tariff Sheet No. 13, filed on December 1, 2020.⁷

On July 16, 2021, SROP filed TL8-752, proposing to decrease the rate from \$5.54/bbl to \$0.29/bbl effective August 1, 2021. On July 30, 2021, the Commission approved Tariff Sheet No. 13, filed July 28, 2021.⁸

On November 30, 2021, SROP filed TL9-752, proposing to increase its rate from \$0.29/bbl to \$1.42/bbl effective January 1, 2022. On December 29, 2021, the Commission approved Tariff Sheet No 13, filed November 30, 2021.⁹

Filing

On November 30, 2022, SROP filed TL10-752, proposing to increase its rate for the intrastate transportation of petroleum from the Swanson River Field to the Tie-In point with KPL Facilities at the Nikiski Marine Terminal, from \$1.42/bbl to \$3.89/bbl, effective on January 1, 2023. TL10-752 included a copy of Tariff Sheet No. 13, a hard copy printout of the 2023 rate model, and SROP's subscribers list. SROP indicated a copy of the

⁴ Order P-15-020(07), *Order Granting Joint Motion, Accepting Agreement, And Requiring Filings*, dated December 14, 2016.

⁵ See Section I-3(e) of the Settlement Agreement.

⁶ See Section I-4(a) of the Settlement Agreement.

⁷ Letter Order L2000457, dated December 24, 2020.

⁸ Letter Order L2100270, dated July 30, 2021.

⁹ Letter Order L2100423, dated December 29, 2021.

enclosed tariff sheet has been sent to each subscriber on SROP's subscribers list.¹⁰ SROP asserted the increase in rates is primarily due to 2022 benefitting from a prior year overcollection in the amount of \$516,214, which caused a credit to the 2022 tariff of \$1.88. Without the prior year overcollection, the 2022 tariff would have been \$3.56/bbl.¹¹

SROP advised it provided its 2023 tariff calculations to RAPA on September 29, 2022.¹² Although the Commission did not impose any condition on SROP to provide a disk containing the calculation of the rates using the SROP, on December 2, 2022, SROP provided Staff the 2023 rate model and Staff held it confidential pursuant to 3 AAC 48.040(b)(10).¹³

Notice

TL10-752 was noticed to the public on December 2, 2022, with a comment period ending December 23, 2022. No comments were filed.

Discussion

Staff reviewed the components¹⁴ of the Settlement Agreement and the confidential Excel schedules provided with TL10-752 and verified the rates were calculated in accordance with the SROP. Staff reviewed the Settlement Agreement¹⁵ noting that the cost of service is calculated as follows: Operating Expenses + Amortization of Unusual or Non-Recurring Costs as permitted by RCA regulatory policy or precedent + Depreciation Expense + Return on Rate Base + Net Carryover. Under the SROP, the maximum rate

¹⁰ TL10-752, page 1.

¹¹ See Supplement filed December 7, 2022.

¹² See Supplement filed December 7, 2022.

¹³ 3 AAC 48.040 Confidential Records.

(b) The following records are confidential and are not open to inspection by the public unless they are released under 3 AAC 48.049 or court order or their release is authorized by the person with confidentiality interests:

(10) records of a regulated public utility, pipeline carrier, or pipeline submitted to or copied by the commission's advisory staff during any audit, review, or investigation in connection with any formal or informal proceeding

¹⁴ See Sections II-3, II-5(b) &(d), II-6(a), II-8, II-9, and II-10 of the Settlement Agreement.

¹⁵ See Section II-3(a) of the Settlement Agreement.

is calculated by dividing the projected total cost of service by projected throughput volumes.¹⁶

Staff also reviewed the model and verified SROP's assertion that there was a negative Net Carryover in 2022 in the amount of (\$0.516).¹⁷ Staff verified that the stipulated balances¹⁸ and rates of return¹⁹ have been properly utilized in SROP's TL10-752 rate calculations and that the calculations otherwise appear to comply with the Settlement Agreement.

Staff has not recalculated the model's computations, but rather accepts that the SROP model accepted by the Commission in Order 7, functions as designed. Staff notes that it was not able to independently verify the individual cost components or throughput volumes of the 2023 rate calculation because much of the 2023 rate calculation is derived from company estimates, to which Staff does not have access. Therefore, Staff is relying on the settling parties to protest the proposed rate by filing comments during the public notice period if they believe the proposed rates violate the SROP.

Conclusion

Staff's review of TL10-752 indicates that SROP's proposed rate revision, as calculated, are less than or equal to the maximum allowable rate in accordance with the Settlement Agreement, and therefore, Staff recommends the Commission approve Tariff Sheet No. 13, filed in TL10-752 on November 30, 2022, effective January 1, 2023.

Signature: Keith Kurber II
Keith Kurber II (Dec 28, 2022 08:38 AKST)
Email: keith.kurber@alaska.gov

Signature: Robert M. Pickett
Email: bob.pickett@alaska.gov

Signature: Daniel Sullivan
Daniel Sullivan (Dec 28, 2022 10:01 AKST)
Email: daniel.sullivan@alaska.gov

Signature: Janis W. Wilson
Janis W. Wilson (Dec 28, 2022 10:16 AKST)
Email: janis.wilson@alaska.gov

¹⁶ See Section II-1 of the Settlement Agreement.

¹⁷ Data is reported in MM (millions) $\$0.516 * 1,000,000 = \$516,000$.

¹⁸ See Sections II-5(b) & (d), II-6(a), and II-8(b), of the Settlement Agreement.

¹⁹ See Section II-9(b)-(e) of the Settlement Agreement.

RCA No. 752

Eighth Revised

Sheet No. 13**RECEIVED****NOV 30 2021**STATE OF ALASKA
REGULATORY COMMISSION OF ALASKA

Cancelling

Seventh Revised

Sheet No. 13**SWANSON RIVER OIL PIPELINE, LLC**

	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>	
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	142	[I]

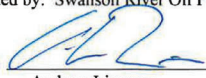
[I] denotes an increase

TL9-752

Effective: January 1, 2022

Issued by: Swanson River Oil Pipeline, LLC

By:


 Andrew Limmer

 Title: Vice President, Harvest Alaska, LLC
 Member of Swanson River Oil Pipeline, LLC
RCA No. 752

Ninth Revised

Sheet No. 13

TARIFF SECTION

**RECEIVED
NOV 30
2022**

RCA

Cancelling

Eighth Revised

Sheet No. 13**SWANSON RIVER OIL PIPELINE, LLC**

	<u>FROM</u>	<u>TO</u>	<u>RATE CENTS PER BARREL OF 42 UNITED STATES GALLONS</u>	
3.1	Swanson River Field, Kenai Peninsula	Tie-In Point with KPL Facilities at Nikiski Marine Terminal	389	[I]

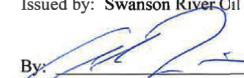
[I] denotes an increase

TL10-752

Effective: January 1, 2023

Issued by: Swanson River Oil Pipeline, LLC

By:


 Andrew Limmer

 Title: Vice President, Harvest Alaska, LLC
 Member of Swanson River Oil Pipeline, LLC